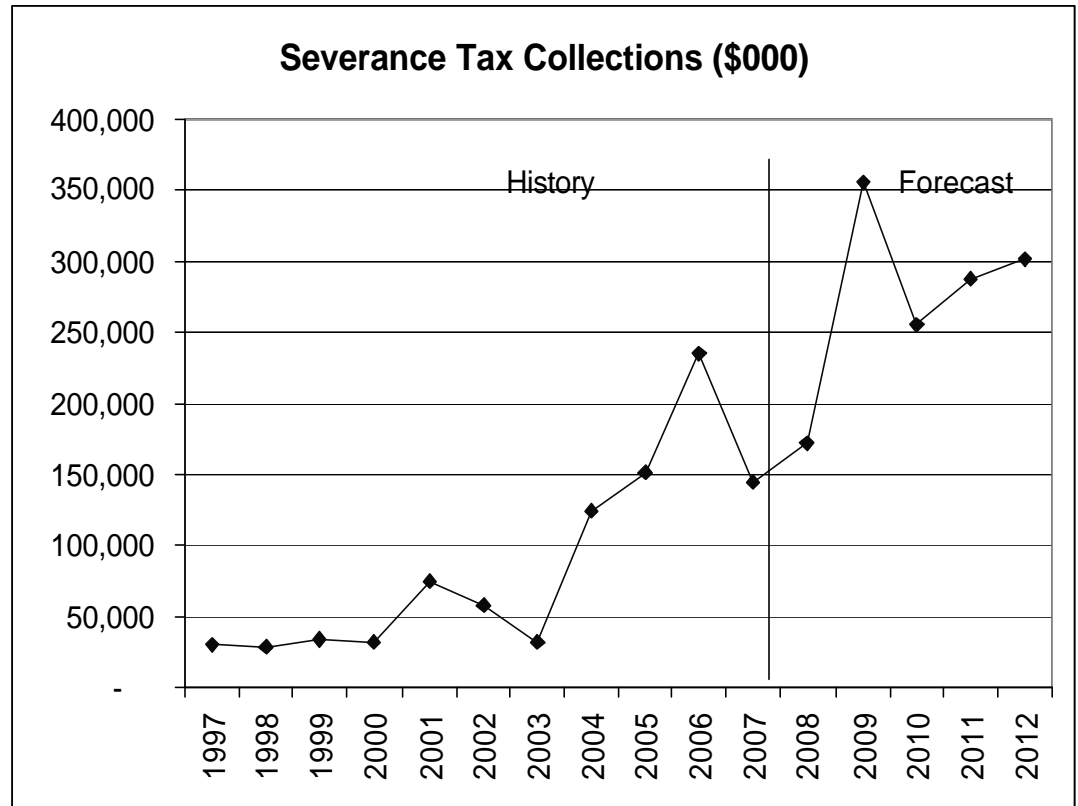


History and Forecast of Severance Taxes in Colorado (June 2008, Legislative Council Staff Forecast)

Severance taxes grew from \$32 million to \$234 million from 2003 – 2006.

Severance taxes are very responsive to changing energy prices.



Budget Issues Related to Severance Taxes

Severance taxes are counted as TABOR revenue and account for a growing share of TABOR revenue.

Referendum C allows the state to retain all revenue received from FY 2005-06 to FY 2009-10.

After FY 2009-10, **Referendum C** allows the state to retain an amount equal to the highest amount of revenue received in the five-year time-out period, which grows by inflation and population annually.

Severance taxes add to the base during the five-year time-out period, but could push the state into a TABOR refund situation beyond FY 2009-10.

Severance tax credits reduce the size of the base during the five-year time-out period and reduce the size of future TABOR refunds after FY 2009-10.

The Severance Tax Impact Assistance Credit raises questions concerning the magnitude, timing, and claiming of those credits, which makes forecasting severance taxes more difficult.